Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

GAO REPORT ON SOVIET GRAIN PURCHASES AND THE ROLE OF INTELLIGENCE PAST AND PRESENT

A recent GAO report criticizes the Department of Agriculture's handling of the Soviet grain purchases last year, particularly its failure to predict the unprecedented Soviet demand for imports of grain in FY 1973. This memorandum examines the extent of CIA's coverage of this matter last year and describes the steps which have been taken to improve intelligence gathering and reporting on Soviet grain production and trade.

The GAO report claims that USDA failed to inform the public of the Soviet demand for grain imports though there were repeated reports from the US agricultural attache in Moscow that "the Soviet wheat crop would be adversely affected by freeze damage". It is true that Moscow reporting (as well as our own analysis and that of a number of analysts in USDA) charted fairly well the diminishing prospects for the grain crop through tne late spring and early summer of 1972. A decline in production cannot be translated directly into an increase in imports, however, without specifying the rise in internal demand for grain, the level of stocks, and--where stocks exist--Soviet plans with respect to the level of stocks they intend to maintain. The implications of a short crop for import requirements are uncertain because intelligence on grain reserves and domestic requirements in the USSR is so sketchy.

USDA's failure to predict a large increase in Soviet grain imports probably stemmed mainly from its estimate of existing grain reserves. The Economic Research Service (ERS) of USDA had long argued that the USSR had ample.stocks to meet temporary dislocations. ERS estimated in March 1972, in fact, that the USSR had as much as 35 million tons of wheat in stocks in mid-1971, an amount equivalent to two-thirds of the country's annual requirements

25X1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

for wheat and rye for food use. Thus, ERS concluded that the earlier Soviet grain purchases of 1971 were "not related to any apparent increase in Soviet domestic needs". This position differed radically from the stand taken in a CIA/OER report as early as September 1971 that "wheat reserves suitable for consumption as food are believed to be currently near minimum levels...it appears likely that the USSR is in a shaky position". When the 1972 crop outlook darkened, it seemed clear to us that large imports would be required.

In February 1972, OER reported that the net loss in winter crops due to bad weather could amount to about seven million tons, and Soviet foreign trade bank officials admitted that further grain imports might be necessary. In March 1972, another OER report warned that the USSR was short of all types of feed grains and that purchases of US corn and soybean meal would be a "quick fix" to the Soviet feed problem. After similar statements in the following months, it should have come as no surprise to consumers of OER reports (including USDA) that the Soviet Union would require massive grain imports after crop prospects deteriorated sharply during the summer.*

GAO also says that USDA officials did not inform themselves of the size of the transactions that US firms were negotiating with the Soviets and therefore did not realize how large the subsidies would be under the then-existing regulations. Because of the extreme secrecy surrounding most major grain purchases, it is quite likely that USDA did not learn of the Soviet contracts until well after the fact. CIA was the first government agency to discover the full amount of the Soviet purchases [redacted] 25X1

25X1 [redacted]

25X1 [redacted] Through July, we were

*A complete chronology of CIA reporting on the Soviet grain situation is set forth in a memorandum to the DDI, dated 22 October 1972 (attached).

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

aware of the Soviet activity, however; we had learned of the arrival of Soviet grain buyers in late June through visa applications, and unconfirmed rumors of large purchases were rife. We reported these rumors in a Central Intelligence Bulletin on 19 July. Because of the extreme sensitivity of the information received in early August, [redacted] insisted that it could be released only to the President. Mr. Helms chose not to do so until 24 August when it became apparent that other sources, which should have had this knowledge, had not informed the President of the full extent of the sales. By then, a large part of the subsidies had already been committed.

25X1

As a result of the events of last year, a concerted effort has been made through government to sharpen intelligence techniques and to institute an effective system for early warning of another round of Soviet grain purchases. CIA is a central member of this team, and special dissemination procedures are speeding Agency reports to policymakers. Specifically, the progress of the Soviet grain crop is being monitored more closely by: [redacted]

25X1

25X1

[redacted]

The best information on Soviet purchases of US grain will be the new grain export monitoring system put into effect on 20 June by the Department of Commerce. On the basis of the data filed by the grain exporting companies, reports are published weekly, tabulated by type of grain, destination, and anticipated export date. They are issued to the public only in aggregated form, but the detailed reports are shared on a confidential basis with the Agency. The first report has already confirmed a persistent rumor of the last several months that the US has sold a substantial amount of wheat and corn to the Soviets for delivery in FY 1974.

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Meanwhile, a more regular reporting procedure has been introduced both in USDA and CIA to keep the policymaker constantly in touch with changing Soviet crop and trade prospects. Within USDA, the major agencies have formed a task force which meets monthly and issues a joint report. At the request of Mr. Schlesinger last February, CIA began a regular series of reports to be given high-level dissemination at the Departments of Agriculture, Commerce, Treasury, and State, the NSC, CEA, CIEP, and OMB. The fifth in this series was published on 6 July (copy attached). These reports are intended to be more speculative than usual and aimed directly at US policy issues. So far these new efforts have paid off in more timely and, we hope, more useful accurate reporting.

July 1973

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

SECRET
CIA INTERNAL USE ONLY
Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

22 October 1972

MEMORANDUM FOR: Deputy Director for Intelligence

FROM : Chief, U/SR, OER

SUBJECT : CIA Publications Which Discuss Prospects for the 1972 Grain Harvest in the USSR or Soviet Grain Imports

1. The attachment to this memorandum lists the CIA publications which deal with the 1972 Soviet grain harvest or with Soviet policy with respect to grain imports. Articles in OER's Economic Highlights were excluded because they are distributed only within CIA.

2. If you have further questions with respect to the listed publications, I will be available at home on Monday, 23 October (telephone number: [redacted] who has been following the reporting of the grain contracts in the press, will also be at home (telephone number: [redacted]). 25X1 25X1

25X1

[redacted]
Chief, USSR Branch
Office of Economic Research

25X1

[redacted]

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
CIA INTERNAL USE ONLY
SECRET

SECRET
Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
25X1

Publications Dealing With Soviet Grain Production and Grain Imports

Publication Number and Date	Title and Content
IM 71-161 27 Sept 71	The Soviet Grain Supply, 1971* ("Even with a near record grain crop of 140-145 million tons (in 1971) the Soviet Union will be hard pressed in fiscal year (FY) 1972 to meet domestic needs and, at the same time, to continue supplying its client states at the level averaged in recent years. The surge in use of grain as livestock feed in the past year...is expected to continue. More importantly, wheat reserves suitable for consumption as food are believed to be currently near minimum levels...it appears likely that the USSR is in a shaky position... The USSR has already contracted for up to 4 million tons of wheat imports for FY 1972 from Free World suppliers.")
CIWR 17 Sept 71	USSR: Good Harvest but Grain Problems* ("Despite indications that the quantity of grain harvested this year may fall just short of the previous record, insufficient reserves of bread-grains may increase Soviet requirements for grain imports. This situation arises because of a sharp increase in the use of wheat as livestock feed, a higher level of dependence of East European and other client states on Soviet grain, and physical deterioriation of some grain reserves...")
CIWR 29 Oct 71	Soviet Economy Dances to Agriculture's Tune* ("Unusually good weather during the recent harvest period improved the prospects for this year's grain crop...Nevertheless, the Soviets are still in the market for Western grain. By September, they had contracted for about 4 million tons of Canadian and Austrialian wheat worth about $305 million.")

*Publications received by the US Department of Agriculture.

25X1

25X1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
SECRET

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

25X1

[redacted]

S-3916
10 Nov 71

Briefing of Secretary of Commerce Stands on the Soviet Economy
(Reports Soviet grain purchases and predicts that grain and meat imports will be at least $600 million between 1 July 71 and the of 1972.)

CIWR
28 Jan 72

Agriculture Slows Economic Growth*
("After a bumper year in 1970 because of unusually good weather, agricultural output last year declined by about 1.5 percent...the Soviets are buying grain and sugar in non-Communist markets to cover domestic requirements and export commitments.")

25X1

S-4164
16 Feb 72

[redacted]

CIB Brief
22 Feb 72

USSR
("Party and government leaders of the 15 republics met late last week in Moscow with Brezhnev to assess the damage to winter grains caused by the severe cold...If the winterkill is as extensive as in 1969, the net loss could amount to about four percent of the planned grain crop, or seven million tons--almost as much as the USSR planned to import this year.")

CIWR
25 Feb 72

Cold Hits Soviet, East European Crops*
("Severe cold and scanty snow cover threaten winter crops in the Soviet Union and Eastern Europe...the net loss could amount to about four percent of the planned grain crop, or seven million tons -- almost as much as the USSR has arranged to import this fiscal year. Last week, Soviet foreign trade bank officials admitted that further imports may be necessary.")

S-4228
14 Mar 72

Soviet Indebtedness and the Role of US-Soviet Trade
(Soviet indebtedness to the West, mainly long-term, has grown rapidly in recent years and apparently exceeded $2 billion by the end of 1971. Previous estimates of US-Soviet trade growth following the dismantling of trade

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

25X1

barriers put the level of US exports to the USSR at $400-500 million by 1975 and about $1 billion by 1980. If a new USDA estimate of Soviet requirements for $1.95 billion in US agricultural products over the period FY 72/73 to FY 76/77 is correct, however, the level of US exports by 1975 might reach $800 million.)

IM 72-48
15 Mar 72

Soviet Agriculture in 1971 and the Outlook for 1972

("Even though farm production in 1971 was near the record 1970 level, the Soviet Union spent roughly $650 million-$700 million in hard currency to purchase large quantities of grain, sugar, and meat in 1971 and early 1972. Imports of grain are likely to continue and may even increase next year because they are required to support the growth of the Soviet livestock economy so as to provide more meat and milk to the increasingly demanding Soviet consumer.")

CIB Note
16 Mar 72

USSR: Heavy Damage to Winter Grain Crops

("Recent Soviet press reports indicate that unfavorable weather during the first two months of the year killed about one third of the winter grains sown in the Ukraine and Belorussia."

S-4249
28 Mar 72

Soviet Imports of Corn and Soybean Meal: Substitutes and Complements for Other Feeds in Livestock Rations*

("USSR short of all types of feeds but "shortage of concentrate feeds is most acute". Concludes that, on basis of cost-efficiency, USSR has clear incentive to use more corn and soybeans and that "interim purchases of US corn and soybean meal would be a quick fix approach to the Soviet feed problem" if necessary financial arrangements can be made.)

S-4253
28 Mar 72

Prospects for Soviet Trade with the West and the United States*

("During most of the last two decades, the USSR has been a net importer of agricultural products. While the domestic supply situation is tight for many agricultural products, prospects for, and speculation about, large new purchases center on those commodities for which the Soviet Union paid $650-$700 million in hard currency in 1971 and early 1972 -- grain, sugar, and meat. Due to adverse winter weather, the outlook for

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

25X1

25X1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

the USSR's grain crop in 1972 is uncertain. However, in view of the USSR's grain requirements--both foreign and domestic -- even if an average grain crop is obtained, it is almost certain that the Soviet Union will purchase more grain in FY 72/3 than the 3.5 million tons already contracted for.")

S-4265
3 April 72

Briefing of Secretary of Agriculture Earl Butz
(Soviet consumer programs are concentrating on the Soviet diet. "The Soviet decision to import $700 million of grains, meat, and sugar between last July and the end of 1972 shows that they are indeed in a hurry to alleviate the existing shortages.")

IM 72-65
28 Apr 72

The Current State of the Soviet Economy
("The fragility of the USSR's grain and livestock economy has been exposed once again...Even with average weather, the USSR will probably buy more grain in 1972...If the weather this spring and summer turns out to be worse than normal, the possibility of large additional Soviet imports of foreign grain would of course be even greater...A large share of the imports would have to come from the US.")

CIB Note
17 May 72

USSR
("Soviet trade officials have indicated a willingness to accept US Commodity Credit Corporation terms in purchasing US grain, but only for a one- or two-year commitment...Under the short-term commitment, however, annual purchases could reach $500 million, about twice that suggested in earlier talks.")

Soviet Developments
6 Jul 72

Soviets Assess 1972 Grain Crop
("During a public lecture in Leningrad a Soviet economist admitted that one third of the 1971-72 winter wheat crop had been destroyed by the severe weather...current estimates are for a grain crop of 'not less than 175 million tons'. Our agricultural attaches estimate that Soviet production will be 171 million tons")

CIB Brief
19 Jul 72

USSR
("Moscow reportedly has purchased for delivery during the next 12 months 1.5 million metric tons of Canadian wheat and 300-400,000 of barley...Unconfirmed reports state that four million tons of wheat and five million tons of corn worth $500 million have already been bought

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

25X1

SECRET
Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1 25X1

under the US pact for delivery by mid-1973. During the next 12 months the USSR should become a large net importer of grains for the first time since the disastrous harvests of 1963 and 1965. Imports may total 15 million tons.")

Soviet Developments 24 Jul 72

USSR: Economy at Mid-Year
("Reportedly, 122.3 million hectares of grain were left from the fall and spring sowings, implying that 11.5 million hectares, or one-third of the total planted in winter grains, had been used for forage or lost to winterkill.")

CIWR 28 Jul 72

USSR: Economy at Mid-Year*
("Soviet economic growth sagged during the first half of 1972 although industry was still on the 1971-75 plan schedule...As in 1969, agricultural problems threaten the achievement of five-year plan goals...Figures in the mid-year report on sown area imply that one third of the winter bread-grain acreage had been lost to winterkill or used for spring forage...Brezhnev's livestock program requires a grain harvest substantially higher than in 1971.")

Soviet Developments 9 Aug 72

VIP Meeting Reflects Concern for Harvest
("An array of VIPs attended a meeting in the Central Committee headquarters on 8 August to discuss harvest progress and other agricultural problems, indicating unusual concern over this year's harvest. "It is estimated to be about 9-10 percent less than 1970 and 1971, largely because of severe winter weather and summer drought...As a result...the USSR is buying large amounts of foreign grain, mainly wheat, for delivery during the next year.")

CIB Brief 10 Aug 72

USSR
(Same as above)

S-4530 11 Aug 72

Some Implications of the Poor Soviet Grain Harvest *
(Memorandum for Kissinger, Peterson, and Butz: A poor harvest this year (estimated to be about 10% less than in 1970 and 1971) is forcing the Soviets to import record quantities of grain. So far they have bought about 21.6 million tons of grain and soybeans worth almost $1.4 billion from the US, Canada, and France for delivery in FY 1973.)

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1 25X1
SECRET

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

25X1

Soviet Developments
11 Aug 72

Grain Purchases
("Confronting poor harvest prospects, the Soviets have contracted to purchase by mid-1973 about 21.6 million tons of grain and soybeans worth almost $1.4 billion from the US, Canada and France. As a result, their hard currency trade deficit will rise to more than $800 million in both 1972 and 1973.")

IM 72-124
15 Aug 72

Outlook for the 1972 Soviet Grain Harvest*
("Because of a combination of winterkill, and drought, the preliminary estimate of 1972 Soviet grain propects is for a decline in the crop to about 135 million metric tons of usable grain, 13 million tons less than the 1971 harvest. To stave off the consequences of this shortfall, the USSR has already bought more than 20 million tons of grain from the West for delivery in fiscal year (FY) 1973, up 12 million tons over imports of the previous year.")

CIWR
18 Aug 72

USSR: The Grain Drain*
("The prospect of a poor harvest this year (more than 10% below 1970 and 1971) is forcing the Soviets to import record quantities of grain. So far, they have bought about 20.6 million tons of grain worth almost $1.3 billion...and they are negotiating to buy more.")

Soviet Developments
25 Aug 72

Brezhnev Travels to Wheat Belt
("General Secretary Brezhnev arrived in the Kazakh grain-growing center of Kokchetav on Thursday, presumably to urge farm officials to exert maximum effort in the harvest now underway." The situation is precarious because of a late-ripening crop and the danger of frost.)

Soviet Developments
28 Aug 72

Soviet Campaign to Save Grain
("For the third time in a decade Soviet leaders are asking consumers to 'save bread.' The campaign began in early August in the Ukraine -- one of the areas most severely affected by this year's poor harvest...Although the large foreign purchases of grain this year will partially offset domestic losses, some additional measures, such as rationing and lowering the quality of bread that were taken in 1963, may have to be employed again.")

25X1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

25X1

CIB Brief 29 Aug 72	USSR (Same as Soviet Developments article of 25 August)
CIB Brief 29 Aug 72	USSR ("In an unusual display of concern over the harvest prospects, Party General Secretary Brezhnev has flown out to the key Virgin Lands grain-growing area for conferences with local farm officials." Adverse weather has already damaged the crops in the other major grain growing areas and the situation in the Virgin Lands is precarious because the crop is late in ripening and is in serious danger of being hit by early frosts.)
Soviet Developments 31 Aug 72	More News from the Farm Front ("Continuing his unusual tour of the Virgin Lands grain-growing area, Brezhnev addressed a meeting of party and economic executives in Novosibirsk on 31 Aug, once again focusing on this year's harvest.")
CIWR 1 Sept 72	USSR: Worrying About the Harvest* ("Brezhnev flew to the Virgin Lands for a round of conferences with local farm officials. The Virgin Lands have produced an above-average stand of wheat but it is in serious danger of being hit by early frosts. Harvesting is hampered by cool and rainy weather.)
Soviet Developments 5 Sept 72	More Soviet Grain Purchases in Prospect ("The president of a large international grain trading firm, Cook Industries, is in Moscow at the invitation of the Soviets to discuss additional grain and soybeans purchases...The Soviets invited Cook to return to Moscow in November, saying that their agricultural plan for 1973 would then be firm...Total Soviet purchases of grain and soybeans for delivery by mid-1973 already top 25 million tons, mainly from the US.")
Soviet Developments 6 Sept 72	Soviet Financing of Hard Currency Needs ("The enormous additional requirements for hard-currency cash associated with recent Soviet grain purchases have evidently led the USSR to seek selective foreign loans.")

25X1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

25X1

IM 72-135
6 Sept 72

Some Aspects of Recent Soviet Grain Purchases*
("This year's poor harvest, a result of severe winter weather and summer drought, is forcing the Soviets to import record quantities of grain. So far they have bought about 25.2 million metric tons of grain and soybeans worth almost US $1.6 billion, mainly from the US, for delivery in fiscal year 1973...The massive grain imports... also reflect a recent change in agricultural and consumer policy. Brezhnev's livestock program, aimed at improving the Soviet diet, has required large increases in grain supply which have exceeded Soviet grain production, even in good years.")

S-4575
7 Sept 72

The View from the Kremlin Three Months After the Summit
("Because of the poor weather that has plagued the Soviet grain areas this year, the 1972 crop will fall far short of covering both domestic requirements and export commitments...As a result US exports of grain and soybeans should reach $650-700 million in 1972...Moreover, the delayed ripening of grain in the crucial New Land area of Siberia and Kazkhstan could cause above-normal harvest losses during the coming weeks and could generate a need for further imports.")

CIWR
15 Sept 72

Report on the Soviet Harvest*
("Grain yields reported by the USSR for areas where the harvest has been completed confirm that poor weather severely damaged the crop in the major grain-growing areas of European Russia...that will only be partially offset by a good harvest in the New Lands...The uncertainty surrounding the final verdict on the Soviet harvest apparently has temporarily halted negotiations for additional grain imports... Soviet purchases of grain for delivery by mid-1973 already top 27 million tons...")

Soviet Developments
19 Sept 72

Leningrad's Questions Concerning the Harvest
("A Leningrad lecturer said that some Western reports put the harvest this year at 20 percent below last year's. It is "known," he said, that the USSR has bought 7-12 million tons of grain from the US, 5 million from Canada, 1-1.5 million from France, and some from Australia and Sweden.")

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

25X1

SECRET
Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
25X1

Soviet Developments 25 Sept 72	Romanian Wheat Too ("Various sources in Moscow and Bucharest report that the Romanians have agreed to supply the Soviets with as much as 500,000 tons of wheat from the successful harvest this year.")
CIB Brief 27 Sept 72	USSR ("Slow progress in grain harvesting threatens additional losses...If this slow pace is maintained the harvest will extend well into October, when conditions usually deteriorate...Thus, harvest prospects have deteriorated further since the last major round of Soviet grain purchases in early August. Recent reports of negotiations for wheat from West Germany and Romania could reflect a reassessment of the country's immediate needs for milling quality wheat. Confirmed Soviet purchases of grain for delivery by mid-1973 now stand at almost 27 million tons...")
Soviet Developments 28 Sept 72	Comment on NY Times Article on Soviet Wheat Harvest ("The New York Times today reports that USDA estimates that the wheat harvest in 1972 will be 75 million tons, 25 percent below last year... primarily a result of winterkill and summer drought...The USDA estimate is virtually the same as the CIA estimate -- 76 million tons...Soviet wheat purchases of 18 million tons for delivery by mid-1973 cover most of this year's losses and will go far to ensure an adequate supply of milling quality wheat.")
Soviet Developments 28 Sept 72	Forced Slaughtering of Herds Reported (Deputy Minister of RSFSR's Meat and Dairy Industry says the drought in the RSFSR is "the most severe since the 1930s." He adds that even some of basic cow herds are being butchered.)
CIWR 29 Sept 72	Soviet Outlook Gets Dimmer* ("Since the last major round of Soviet grain purchases in early August, harvest prospects have gone on deteriorating. We now estimate that the 1972 crop of usable grain will be roughly 128 million tons -- down 20 million tons for 1971." Total confirmed purchases of grain stand at about 27 million tons worth over $1.6 billion and there are recent reports of negotiations for more wheat from West Germany and Romania.)

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
25X1
SECRET

25X1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

S-4627
29 Sept 72

Soviet Grain -- Purchases and Prospects*

(Since the last major round of Soviet grain purchases in early August, harvest prospects have deteriorated even further because of poor weather. The 1972 crop of usable grain is now estimated a roughly 128 million tons -- more than 10 percent below 1971 output. Recent reports of negotiations for more grain from West Germany and Romania may reflect a reassessment of the country's immediate needs. Confirmed purchases now total more than 26 million tons worth $1.7 billion.)

CIWR
13 Oct 72

Soviet Harvest Problems Persist*

("The grain harvest is still behind schedule. Deteriorating weather conditions jeopardize its completion...They (the Soviets) now say this year's grain crop will be no more than 160-167 million tons compared with the 181 million tons harvested in 1971. We estimate that gross grain production will be 160 million tons...foreign grain purchases stand at about 28 million tons for delivery by mid-1973...")

CIB Brief
18 Oct 72

USSR

("There is a near record lag in completing the grain harvest -- ten percent of all grain still had not been threshed as of 9 October.")

25X1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

CONFIDENTIAL
Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

CENTRAL INTELLIGENCE AGENCY
Office of Economic Research

Status of the Soviet Grain Crop as of the End of June

25X1

ER IB 73-4
6 July 1973
122
Copy No.

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
CONFIDENTIAL

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Status of the Soviet Grain Crop as of the End of June

A record sowing of spring grains in the USSR has more than offset last fall's shortfall in the sowing of winter grains, raising the total grain area in 1973 to its highest level since 1965.

So far the weather has been generally favorable for the development of both winter and spring grains. On the basis of sown area and the weather through June, and with average weather in July, the total gross grain harvest could amount to a record 194 million metric tons (157 million tons of usable grain). The spring grains, however, will be in a critical stage of development through July, so estimates of total grain production still embody a good deal of uncertainty. Hot, dry weather in July could reduce the prospective crop appreciably, while, on the other hand, timely rains would go far toward ensuring a record harvest.

Even with a record harvest, the Soviets will need as much as 15 million tons of grain imports to cover domestic and foreign requirements. If weather conditions turn out to be below average in the next few months, they could be in the market for even more grain in a year when world grain prices are at record highs. So far this year they have bought about 9 million tons, of which 7 million tons was purchased in the United States.

Note: Comments and queries regarding this publication are welcomed. They may be directed to

25X1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

CONFIDENTIAL
Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Discussion

Spring Sowing Campaign a Success

1. The USSR has completed a record sowing of spring grains. The total seeded by all farms was about 104 million hectares, 8 million hectares more than the amount sown in 1972 and 14 million more than the average sown in 1966-71 (see Table 1).

Table 1

USSR: Area Planted to Grain[1]

Million Hectares

	Annual Average 1966-71	1972	1973
Total	121.4	120.1	128
Winter grains	31.2	24.1	24
Spring grains	90.2	96.0	104

1. The sown areas reported for 1966-71 and 1972 are from official post-harvest statistics. These figures generally are about 1½% less than the area announced in mid-summer, mainly because some of the summer grain area is used for forage rather than being harvested for grain.

2. Last fall, because of dry weather, only about 28 million hectares of winter wheat, rye, and barley were seeded -- 20% below the average for the previous five years. With a normal amount of winterkill and some feeding of immature grain to livestock, probably only about 24 million hectares of winter grain will be harvested -- far less than the average of 31 million hectares in 1966-71.* The successful spring sowing campaign, however, more than compensates for the deficit in winter grains. Indeed, the total area sown to grain is the largest since 1965.

* Winter grains generally account for about one-fourth of total harvested grain acreage but about one-third of total grain production. Spring grains account for the remainder.

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
CONFIDENTIAL

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

3. Spring sowing increased particularly in the RSFSR, where the fall drought had most hindered the sowing of winter grains (primarily winter wheat and winter rye). As in 1972, the strategy was to sow relatively more area to feedgrains (barley, oats, and corn) than to the lower yielding spring wheat. This policy, which is designed to provide maximum support for Brezhnev's livestock program, risks slighting domestic requirements for bread-grains.

The Condition of the Crop

4. Plentiful rain in April and May and an early spring revived the winter grains, which had been threatened by a dry, cold winter. By 30 June the accumulated precipitation in the winter grain districts since last fall was greater than normal and far larger than last year (see Table 2). Nevertheless, the moisture conditions for the winter grains were not as good as those that prevailed in 1970 when the USSR harvested its best crop.

5. US agricultural attaches, after traveling through a representative portion of the Ukraine, Moldavia, the North Caucasus, and the Central Black Earth regions, have confirmed Soviet claims that the winter grains are coming along well and that few fields had to be reseeded because of winterkill. As of late June, the only potential problem for the winter grains was the damage caused by the heavy rains in the Ukraine and North Caucasus in late May. The Soviet press reports that "in many areas cereal crops have been flattened by rains, and great skill and ability will be required from the machine operators to harvest them without any wastage." On the other hand, harvesting of winter grains has been completed in Central Asia and southern Kazakhstan, where "excellent" crops are said to have been gathered. Because crop development is advanced this year, harvesting of winter grains will begin 8-10 days earlier than normal in the North Caucasus and the southern Ukraine, and almost all of the USSR's winter grain crop should be harvested by late July.

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

CONFIDENTIAL

Table 2

Cumulative Precipitation in Winter and Spring Grain Areas[1]

Millimeters

	Winter Grains				Spring Grains			
	Annual Average				Annual Average			
	1961-73	1970-71	1972	1973	1961-73	1970-71	1972	1973
October - March	248	303	208	248	207	261	197	217
April - June	140	161	139	170	123	149	134	144
Total	388	464	347	418	330	410	331	361

1. Average rainfall in each of 27 crop districts, weighted by the crop district's share in production of winter or spring grains in 1966-70.

CONFIDENTIAL

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

6. Favorable weather as well as improved organization also seems to have given the spring grains a reasonable start. According to the Soviet press, "the sowing campaign has been outstanding for its high rates and good quality of work. Nearly everywhere, the weather conditions were favorable for the emergence of sturdy seedlings." The generalization applies in the main to the European USSR; in Kazakhstan and Siberia the weather was frequently "capricious," and planting was delayed toward the end or somewhat beyond the optimum periods.

7. Rainfall was more than adequate in many of the spring grain areas through the end of June. Total rainfall in April, May, and June was larger than in any of the last 13 years except for 1970, the all-time record crop year. By 30 June the total accumulated rainfall in the spring grain regions since last September exceeded the average of the last 13 years by 9%. Apparently, May rains were so heavy in certain areas that they interfered with planting. According to a Soviet "agricultural expert," rain caused "extensive and possibly very extensive damage" to corn in major growing areas, where the corn had to be sown as many as three times. Complaints have also been heard that the weather is stimulating the growth of weeds.

8. The spring grains, however, are in a very critical stage. They need adequate rainfall and cool temperatures in June and July, but in the first 20 days of June it was extremely hot and drier than usual in much of the New Lands area of the Urals, Siberia, and northern Kazakhstan. The last 10 days of June brought some relief in the form of above-normal precipitation and cooler temperatures. Nevertheless, a return in July to high temperatures (which speed up evaporation and can shrivel grain in the heading to ripening stage) and little rainfall could erode the USSR's present expectation of a harvest substantially better than the harvests of 1970 and 1971 (see Table 3). Last year, Siberia and Kazakhstan (which usually produce almost 30% of the total grain crop) had excellent harvests, and a marked decline in production in 1973 in these regions would go far to offset the expected recovery in yields in the Ukraine and the European USSR.

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

CONFIDENTIAL
Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Table 3

USSR: Grain Production

Million Metric Tons

	Gross Production	Net Production[1]
Annual average 1961-65	130	106
Annual average 1966-69	163	131
1970	187	150
1971	181	148
1972	168	134
1973 Plan	197	160
Forecast[2]	194	157

1. Estimate of usable grain, which excludes excess moisture, wastage, and trash.
2. Assumes average rainfall and temperatures in July.

Outlook for Production

9. On the basis of the sown area, the weather through June, and average July rainfall and temperatures, the gross grain harvest could be about 194 million tons, or 157 million tons of usable grain.* This would be a record crop, although somewhat less than the 1973 goal of 197 million gross tons.

10. The harvest of winter grains has already started, and all of the early reports speak of good to excellent yields -- a confirmation of the high production forecast for the North Caucasus and southern Ukraine. In the spring grains area, however, the July weather will determine the size of the standing harvest, while the conditions in August and September will decide whether the grain will ripen in time to be threshed before winter sets in. The dependence on July conditions can be illustrated by estimating average July rainfall and temperatures for each crop district from official

* The estimates are derived from weather-yield regressions for all grains in 27 crop districts covering the years 1961-71 (see the Appendix).

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
CONFIDENTIAL

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Soviet long-range weather forecasts. The above-normal temperatures and below-normal precipitation predicted in these forecasts, when incorporated in the estimates of yields, reduce the total expected grain harvest from 194 million to 174 million gross tons.

Grain Imports

11. Even if a record crop of 194 million tons is harvested, the USSR will still need substantial grain imports to meet domestic and export requirements in fiscal year (FY) 1974, perhaps as much as 15 million tons. A Canadian Wheat Board member recently estimated that in the event of a good harvest, the USSR would need about 10 million tons of wheat alone.

12. During March and April the USSR chartered enough world shipping to carry 10 million tons of grain annually from North American ports to the Black Sea in addition to the 9 million to 10 million tons available from its own fleet. So far this year, new Soviet grain purchases have amounted to about 9 million tons for delivery by the end of FY 1974. Of this, some 7 million tons will come from the United States, and more than one-half of the total will be wheat. Some of these purchases are slated for delivery this summer and fall and, therefore, should probably be viewed as covering shortfalls in the 1972 crop. Thus, more than 6 million tons must still be purchased to cover estimated requirements for FY 1974.

13. It appears that the USSR has not contracted for much grain recently, probably a result of several factors. World grain prices are at record highs, and the US grain export controls introduce an additional uncertainty. Moreover, the USSR will probably wait and see what the July weather will be. If July is hot and dry, significantly reducing crop prospects, it will need even larger imports than originally anticipated.

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

CONFIDENTIAL
Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

APPENDIX

Derivation of Harvest Prediction for 1973

The predicted grain harvest for 1973 is based on a linear regression model which estimates the influence of weather and a time trend on grain yields in each of 27 crop regions in the period 1961-71 and uses the results to forecast a yield for each region in 1973. The weather variables used in this analysis include cumulative precipitation from September through March and monthly precipitation and average monthly temperatures from April through July.* For those regions in which no statistically significant relationship between time and grain yields can be determined, the model considers only the influence of the weather variables in forecasting yields for 1973. For six additional regions, forecast yields are derived from time trends alone because weather data are not available for these regions.

The forecast yields for all 33 regions are then multiplied by estimates of the 1973 harvest area to obtain the predicted harvest of 194 million gross tons of grain. Because the model does not account for all the variation in yields (e.g., weather in August-September as well as variations resulting from changes in fertilizer usage and sowing and harvesting techniques, etc.), there is still a good deal of uncertainty in the forecast of total production. On the basis of the standard error of the aggregate forecast, there is one chance out of three that the total grain crop will be either less than 187 or more than 200 million gross tons.

* Temperature and precipitation data for July 1973 were estimated as the average for July in the period 1961-72.

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1
CONFIDENTIAL

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Major Grain Growing Regions in the USSR

513966 5-73

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1

OLC 73-8913

Executive Registry
73-4600

MEMORANDUM FOR: Mr. Colby

Earlier this week after reading the Post's story on the GAO report about the Soviet grain deal of last year, you asked for some background on how well we had done on the problem and what we had learned from it. The attached material is a response to this request.

25X1

[redacted]
Ed Proctor

13 July 1973
(DATE)

FORM NO. 1 AUG 54 101 REPLACES FORM 10-101 WHICH MAY BE USED. 147

Approved For Release 2006/09/25 : CIA-RDP75B00380R000400120053-1